



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **Public Disclosure**

**February 3, 2003**

# **Community Reinvestment Act Performance Evaluation**

**The First National Bank in Sioux Falls  
Charter Number: 3393**

**100 South Phillips Avenue  
Sioux Falls, South Dakota 57102**

**Office of the Comptroller of the Currency  
Sioux Falls Field Office  
4900 South Minnesota Avenue, Suite 300  
Sioux Falls, South Dakota 57108**

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## Overall CRA Rating

**Institution’s CRA Rating:** This institution is rated “**Satisfactory.**”

The following table indicates the performance level of **The First National Bank in Sioux Falls** with respect to the Lending, Investment, and Service Tests:

Performance Levels	The First National Bank in Sioux Falls Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			<b>X</b>
High Satisfactory	<b>X</b>	<b>X</b>	
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- FNB demonstrates excellent responsiveness to the credit needs of small businesses and small farms. FNB ranks first among area lenders in providing credit to both small businesses and small farms with a 19 percent market share for small business and a 27 percent market share for small farm lending, exceeding its deposit market share and rank.
- The bank’s lending by borrower income level is excellent. About 71 percent of its business loans and 95 percent of its reportable farm loans were originated to entities with revenues of \$1 million or less. The overall distribution of home mortgage loans by income level is good, particularly in home improvement and home purchase lending.
- FNB demonstrates adequate penetration in moderate-income census tracts for small business, small farm, and home mortgage lending.
- The bank has a good level of qualified investments, most of which are donations. Qualified investments support the provision of community services to low- and moderate-income individuals, economic development, and affordable housing.
- Retail services are readily accessible to the entire assessment area, including moderate-income areas, and to individuals of different income levels. FNB officers provide a good level of community development services throughout the assessment area, occasionally taking a leadership role.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Block Numbering Area (BNA):** A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' or 'female householder.'

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home Mortgage Loans:** such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes loans for multifamily (five or more families) dwellings, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## Description of Institution

The First National Bank in Sioux Falls (FNB) is a \$692 million commercial bank headquartered in Sioux Falls, South Dakota. FNB is a wholly owned subsidiary of Minnehaha Bancshares, Inc., a \$766 million two-bank holding company.

FNB is an intrastate bank with 14 branches located throughout the Sioux Falls MA. The main office and 10 branches are located in Sioux Falls, and there is one branch in each of the rural communities of Baltic, Brandon, and Dell Rapids. FNB opened three new branches in Sioux Falls during this evaluation period: Benson Road (May 2002), Waterford (July 2002), and Sertoma (September 2002). FNB closed its Valley Springs branch in October 2002 due to unprofitability and the proximity of the Brandon branch. The bank owns and operates 17 deposit-taking automated teller machines (ATMs) in the Sioux Falls MA and 1 deposit-taking ATM in the Rapid City, South Dakota MA.

The bank's primary business focus is commercial lending to small- and medium-sized area businesses. However, FNB offers a full range of traditional loan and deposit services to its individual, farm, and business customers. The bank also operates a large trust department, its own computer center, and a proprietary ATM switch (Advantage).

As of December 31, 2002, the bank's equity capital is \$62.5 million and net loans represent 62 percent of total assets. FNB's loan portfolio is comprised of the following types of loans by dollar volume: commercial (47 percent), residential (31 percent), agricultural (11 percent), consumer (9 percent), and other (2 percent).

There are no financial, legal, or other factors that impede the bank's ability to meet the credit needs in its assessment area. FNB was rated "Satisfactory" at its last Community Reinvestment Act examination dated January 10, 2000.

# **Scope of the Evaluation**

## **Evaluation Period/Products Evaluated**

Our analysis of small business, small farm, and home mortgage lending included 1999, 2000, 2001, and 2002 loan originations and purchases.

We weighted small business lending most heavily in arriving at our conclusion for the bank's performance in the Lending Test. We also gave significant weight to small farm lending. These two types of lending comprise about 75 percent of the bank's loan originations during the evaluation period and are the bank's primary products. We gave less weight to home mortgage lending due to the bank's lower market share and the presence of numerous other market lenders. Multifamily lending volume is minimal and was not considered at this review.

We used an evaluation period of January 11, 2000 through December 31, 2002 for assessing FNB's community development loan, investment and service activities. This evaluation period captures all community development activities since the prior CRA examination.

## **Data Integrity**

Based on an internal review in 2002, bank personnel determined that publicly reported data was not accurate. The bank performed a corrective file review, engaging an external firm to assist with this process. Because corrections were made after the refiling periods had expired, publicly reported data remains inaccurate. This review was based on accurate data.

## **Selection of Areas for Full-Scope Review/Ratings**

We performed a full-scope review of the bank's Sioux Falls assessment area. This assessment area contains all of the bank's lending activity and substantially all of its deposit activity. The bank's overall rating is based solely on its performance in this assessment area.

## **Other**

As part of this examination, we contacted the local Small Business Administration (SBA) office. Our contact stated that the opportunity for bank involvement in small business lending is high in this area due to rapid growth in the retail sector and a strong economy. Most local banks have a good degree of involvement in the local community; FNB is a certified SBA lender and has a high level of activity compared to most other area banks.

Sioux Falls and the surrounding area also have typical levels of need for affordable housing. In addition, small farm financing is required to maintain the agricultural economic base of the rural areas immediately surrounding the city of Sioux Falls. No other recent community contact information from other regulators was available at this time.

## **Fair Lending Review**

An analysis of the most recent public comments, consumer complaint information, HMDA, small business, and small farm lending data was performed according to the OCC's risk based fair lending approach. Our review did not identify any fair lending issues or concerns.

## Conclusions with Respect to Performance Tests

### LENDING TEST

The bank's performance under the lending test is rated "High Satisfactory." Loan volume is excellent. Borrower distribution is excellent and geographic distribution is adequate. Community development lending is also adequate.

### Lending Activity

Lending levels reflect excellent responsiveness to identified small business, small farm, and home mortgage credit needs. The bank's net loan-to-deposit ratio on December 31, 2002 was 92 percent. FNB originated or purchased the following loan volumes included in our analysis:

- 4,423 reportable small business loans totaling \$465 million during the evaluation period. Of these, 3,772 loans totaling \$409 million are located in the bank's assessment area. FNB ranks 1<sup>st</sup> among 48 reporters in the assessment area with 19 percent market share.
- 1,606 reportable small farm loans totaling \$124 million during the evaluation period. Of these, 1,207 loans totaling \$89 million are located in the bank's assessment area. FNB ranks 1<sup>st</sup> among 17 reporters in the assessment area with 27 percent market share.
- 815 home purchase loans totaling \$98 million during the evaluation period. Of these, 733 loans totaling \$92 million are located in the bank's assessment area. FNB ranks 6<sup>th</sup> among 117 reporters in the assessment area with 4 percent market share.
- 429 home improvement loans totaling \$7 million during the evaluation period. Of these, 395 loans totaling \$6.5 million are located in the bank's assessment area. FNB ranks 3<sup>rd</sup> among 37 reporters in the assessment area with 11 percent market share.
- 834 home refinance loans totaling \$77 million during the evaluation period. Of these, 773 loans totaling \$73 million are located in the bank's assessment area. FNB ranks 10<sup>th</sup> among 148 reporters in the assessment area with 3 percent market share.

FNB's primary business focus is commercial lending. About 55 percent of all loans originated by the bank in the assessment area during the evaluation period are small business loans. The bank also has a strong presence in the agricultural sector, especially given that the number of farms in the assessment area (1,072) is about one-tenth the number of businesses (10,107). In addition, the bank ranks in the top 10 among area lenders in all home mortgage categories. For comparison, FNB ranks 5<sup>th</sup> among 29 financial institutions with deposit market share of 8 percent.

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity.

## **Distribution of Loans by Income Level of the Geography**

Geographic distribution is adequate based on adequate performance in small business, small farm, and home mortgage lending.

### ***Home Mortgage Loans***

Geographic distribution of home mortgage loans is adequate based on adequate performance in home purchase and home refinance lending, and good performance in home improvement lending.

FNB originated 9 percent of its home purchase loans in moderate-income census tracts. This is below assessment area demographics – moderate-income census tracts contain 13 percent of the assessment area's owner-occupied housing units. The bank ranks 6<sup>th</sup> among 117 lenders in originating home purchase loans. Its market share in moderate-income census tracts of 4 percent equals its overall market share of 4 percent.

FNB originated 13 percent of its home improvement loans in moderate-income census tracts. This equals assessment area demographics (13 percent). The bank ranks 3<sup>rd</sup> among 37 lenders in originating home improvement loans. Its market share in moderate-income census tracts of 12 percent exceeds its overall market share of 11 percent.

FNB originated 8 percent of its home refinance loans in moderate-income census tracts. This is below assessment area demographics (13 percent). The bank ranks 10<sup>th</sup> among 148 lenders in originating home refinance loans. Its market share in moderate-income census tracts of 3 percent equals its overall market share of 3 percent.

Refer to Tables 2, 3, and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

### ***Small Loans to Businesses***

The distribution of small business loans among census tracts of different income levels is adequate. FNB originated 27 percent of its small business loans in moderate-income census tracts. Bank performance approximates that of the combined market lenders (29 percent), but both are below assessment area demographics – 34 percent of businesses are located in moderate-income census tracts. FNB ranks 1<sup>st</sup> among 48 area lenders in originating small business loans. Its market share in moderate-income census tracts of 18 percent approximates its overall market share of 19 percent.

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination and purchase of small loans to businesses.

### ***Small Loans to Farms***

The distribution of small farm loans among census tracts of different income levels is adequate. FNB originated 2 percent of its small farm loans in moderate-income census tracts. Bank performance exceeds that of the combined market lenders (1 percent), but both are below assessment area demographics – 4 percent of farms are located in moderate-income census tracts. FNB ranks 1<sup>st</sup> among 17 area lenders in originating small farm loans. Its market share in moderate-income census tracts of 25 percent approximates its overall market share of 27 percent.

Refer to Table 7 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination and purchase of small loans to farms.

### ***Lending Gap Analysis***

A lending gap analysis showed no inexplicable gaps in the bank's lending. FNB originated home mortgage loans in all of the 33 assessment area geographies. FNB originated small business loans in 32 of the 33 assessment area geographies. The remaining census tract is upper-income and contains only 12 businesses, or 0.1 percent of total businesses in the assessment area. FNB originated small farm loans in 24 of the 33 assessment area geographies. The remaining 9 census tracts (3 moderate-income, 4 middle-income, and 2 upper-income) contain only 67 farms, or 6.3 percent of total farms in the assessment area.

### ***Inside/Outside Ratio***

FNB originates and purchases a substantial volume of its loans within its assessment area. During the evaluation period, the bank originated or purchased a total of 85 percent by number and 87 percent by dollar volume of its loans within the assessment area. The inside/outside ratio was good for all loan products reviewed. The bank originated or purchased 85 percent by number and 88 percent by dollar volume of its small business loans within the assessment area. The bank originated or purchased 75 percent by number and 72 percent by dollar volume of its small farm loans within the assessment area. The bank originated or purchased 91 percent by number and 94 percent by dollar volume of its residential mortgage loans within the assessment area.

### **Distribution of Loans by Income Level of the Borrower**

Distribution of loans to borrowers of different income levels and to businesses and farms of different sizes is excellent based on excellent performance in small business lending, and good performance in small farm and home mortgage lending.

### ***Home Mortgage Loans***

The bank's performance in lending to borrowers of different incomes in the assessment area is good based on excellent performance in home improvement lending, good performance in home purchase lending, and adequate performance in home refinance lending.

The distribution of home purchase loans to low-income borrowers (10 percent) is good, despite being below the percentage of low-income families in the assessment area (16 percent). About 5 percent of families in the assessment area are below the poverty level, which is a significant barrier to home ownership. The distribution of home purchase loans to moderate-income borrowers (20 percent) is also good and equals assessment area demographics – 20 percent of families in the assessment area are moderate-income. The bank ranks 6<sup>th</sup> among 117 lenders in originating home purchase loans. Its market share to low-income borrowers (5 percent) and to moderate-income borrowers (3 percent) approximates its overall market share of 4 percent.

The distribution of home improvement loans to low-income borrowers (18 percent) is excellent and exceeds assessment area demographics (16 percent). The distribution of home improvement loans to moderate-income borrowers (23 percent) is also excellent and exceeds assessment area demographics (20 percent). The bank ranks 3<sup>rd</sup> among 37 lenders in originating home improvement loans. Its market share to low-income borrowers (14 percent) exceeds its overall market share of 11 percent, and its market share to moderate-income borrowers (10 percent) approximates its overall market share.

The distribution of home refinance loans to low-income borrowers (9 percent) is adequate, although below assessment area demographics (16 percent). The distribution of home refinance loans to moderate-income borrowers (15 percent) is also adequate, although below assessment area demographics (20 percent). The bank ranks 10<sup>th</sup> among 148 lenders in originating home refinance loans. Its market share to low-income borrowers (5 percent) exceeds its overall market share of 3 percent, and its market share to moderate-income borrowers (2 percent) approximates its overall market share.

Refer to Tables 8, 9, and 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

### ***Small Loans to Businesses***

The distribution of loans to businesses of different sizes is excellent. FNB originated 71 percent of its reported business loans in the assessment area to entities with gross annual revenues of \$1 million or less. This performance substantially exceeds the overall market performance of 56 percent and exceeds assessment area demographics – 69 percent of businesses have gross annual revenues of \$1 million or less.

Of all banks subject to CRA data reporting, FNB ranked 1<sup>st</sup> among 48 lenders in originating small business loans to businesses with revenues of \$1 million or less. This represents 24 percent market share. FNB's ranking and market share percentage for lending to businesses with revenues of \$1 million or less equals its ranking (1<sup>st</sup> of 48) and exceeds its market share (19 percent) for making small loans to businesses of all revenue sizes.

FNB made 76 percent of its small business loans in amounts of \$100 thousand or less. This performance compares favorably to assessment area demographics, as 69 percent of businesses are small, based on having revenues of \$1 million or less.

Refer to Table 11 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination and purchase of small loans to businesses.

### ***Small Loans to Farms***

The distribution of loans to farms of different sizes is good. FNB originated 95 percent of its reported farm loans in the assessment area to entities with gross annual revenues of \$1 million or less. This performance approximates both the overall market performance of 93 percent and assessment area demographics – 98 percent of farms have gross annual revenues of \$1 million or less.

Of all banks subject to CRA data reporting, FNB ranked 1<sup>st</sup> among 17 lenders in originating small farm loans to farms with revenues of \$1 million or less. This represents 29 percent market share. FNB's ranking and market share percentage for lending to farms with revenues of \$1 million or less equals its ranking (1<sup>st</sup> of 17) and exceeds its market share (27 percent) for making small loans to farms of all revenue sizes.

FNB made 79 percent of its small farm loans in amounts of \$100 thousand or less. This performance is below assessment area demographics, as 98 percent of farms are small, based on having revenues of \$1 million or less.

Refer to Table 12 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination and purchase of small loans to businesses.

### **Community Development Lending**

Community development lending levels are adequate and address community credit needs related to the provision of community services targeted to low- and moderate-income individuals. The bank loaned \$1.4 million to a nonprofit organization to construct a new facility. This organization's primary purpose is to provide before and after school child care, education, and nutrition programs for low- and moderate-income children.

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's level of community development lending.

### **Product Innovation and Flexibility**

FNB participates in the South Dakota Housing Development Authority (SDHDA) affordable housing programs. These programs provide financing and closing cost assistance for qualified first-time homebuyers who are primarily low- and moderate-income borrowers. Although there are purchase price restrictions, the SDHDA programs provide below-market interest rates and liberal underwriting to assist borrowers in the qualification process. During the evaluation period, FNB originated 94 SDHDA loans totaling \$8.6 million. These loans are included in the home mortgage loans discussed previously. FNB also made 45 loans totaling \$79 thousand to low-income homebuyers under the SDHDA Mortgage Assistance Program to help finance down payment and closing costs.

## INVESTMENT TEST

The bank's performance under the investment test is rated "High Satisfactory." The bank has 88 qualified investments totaling \$1.3 million, or about 2 percent of capital. FNB has a good level of qualified investments and grants given the opportunities available in the assessment area. Competition for available investments is strong. Many of the larger financial institutions have the ability to purchase available bond issuances in their entirety or to fund a program with a limited number of investors. During the evaluation period, the bank invested or contributed \$937 thousand, primarily to organizations that provide services to low- and moderate-income persons in the assessment area. The bank also has four investments from prior evaluation periods with remaining outstanding balances of \$373 thousand.

In 2001, FNB invested \$290 thousand in a housing and redevelopment revenue bond for Valley Springs, South Dakota. The bank took a lead role in the development of the bond. The organization benefits low- and moderate-income persons, senior citizens, and the disabled by providing affordable housing accommodations. The bond issue will provide funds for the construction and operation of 12 affordable housing units.

In 2002, the bank made a \$100 thousand equity investment in South Dakota Rural Enterprise, Inc. (SDREI). This is a private, non-profit organization dedicated to improving the economic strength of communities in South Dakota, especially those with small populations. The organization provides capital, technical assistance, and training to support a statewide network of revolving loan funds. SDREI is funded through investments and contributions from corporations, utility networks, and grants from governmental agencies. The organization was certified as a CDFI (Community Development Financial Institution) by the Department of Treasury, which granted FNB an additional \$15 thousand for its investment. In turn, the bank donated \$10 thousand back to SDREI.

In addition to the investments listed above, the bank made donations of \$547 thousand to organizations that have community development as their primary purpose. The donations were primarily for organizations that provide community services targeted to low- and moderate-income families and individuals, but also included donations to organizations that promote economic development or provide affordable housing. The following donations illustrate some of the bank's most significant efforts:

- \$174 thousand to the Sioux Empire United Way. A majority of the United Way agencies serve low- and moderate-income individuals in the assessment area through the provision of various social services, including affordable housing.
- \$95 thousand to Forward Sioux Falls. This is a joint venture between the Chamber of Commerce and the Sioux Falls Development Foundation. Its goals include workforce development (including job training for low- and moderate-income individuals), small business retention and expansion, and new small business development.
- \$24 thousand to Habitat for Humanity. Habitat provides construction and rehabilitation assistance to facilitate home ownership for low- and moderate-income families.

Refer to Table 14 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

## **SERVICE TEST**

The bank's performance under the Service Test is rated "Outstanding." The level of retail banking services is excellent and the level of community development services is good.

### **Retail Banking Services**

The bank's service delivery systems are readily accessible to geographies and individuals of different income levels in its assessment area. The bank has 3 of its 14 branches (21 percent), 7 of its 17 deposit-taking ATMs (41 percent), and 6 of its 27 cash-dispensing ATMs (22 percent) located in moderate-income census tracts. All of these delivery systems exceed community demographics – 18 percent of the area population resides in moderate-income census tracts.

The bank's record of opening and closing branches had a positive impact on moderate-income census tracts. During the assessment period, the bank opened three new branch locations, one each in moderate-income (Benson Road), middle-income (Waterford), and upper-income (Sertoma) census tracts. The bank closed one branch located in a middle-income census tract (Valley Springs). The closing of this branch had little impact on the assessment area; the bank's Brandon branch is located only six miles from Valley Springs.

Weekday hours and services vary little among the full-service branch locations. Several locations offer Saturday morning lobby or drive-up services. FNB also has branches in three assisted-living facilities. Hours and services at these locations are limited to a few hours per day for two or three days per week. The bank operates a centralized mortgage lending area at its 57<sup>th</sup> Street branch to streamline the application process and provide a dedicated lending staff for mortgage applications. However, applications for mortgage loans are accepted at all locations.

The bank also offers debit cards, 24-hour telephone banking, and online banking. Services offered with the online banking product include account balance information, funds transfers, account history, check imaging, and electronic bill payment. We did not place significant weight on these alternate delivery systems because no data was available to support specific benefits to low- and moderate-income individuals or to moderate-income census tracts.

Refer to Table 15 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

## Community Development Services

FNB officers provide a good level of community development services, occasionally in a leadership role. Bank officers regularly participate in a variety of organizations that primarily benefit low- and moderate-income individuals, promote economic development, or provide affordable housing. During the evaluation period, bank officers lent their financial expertise to 22 different community development organizations. The following examples illustrate some of the services provided:

- Several bank officers serve the Sioux Empire United Way in various capacities. A senior officer is a United Way board member and served as the campaign chairman in 2002. Other officers assist with annual fundraising efforts. The United Way raises and allocates over \$5 million in charitable dollars annually for the Sioux Falls area. Refer to comments under the Investment Test for more information on this organization.
- A senior officer was integral in the development of the Downtown Economic Development Incentive Fund (DEDIF), which is a subsidiary of Main Street Sioux Falls. DEDIF promotes economic development in the downtown Sioux Falls area by providing more than \$1 million of financing to more than 40 borrowers, primarily small businesses. This results in the creation and retention of job opportunities, including those for low- and moderate-income individuals. Other officers serve on the board, as officers, and as members of various financial committees of these two organizations.
- A loan officer serves on the board of two organizations that promote economic development in the rural portions of the bank's assessment area. The Minnehaha County Economic Development Revolving Loan Fund and the Brandon Revolving Loan Fund provide temporary and other low-interest financing to small businesses, including start-up businesses, in these communities. This results in the creation and retention of job opportunities, including those for low- and moderate-income individuals.
- Several bank officers serve on boards and in various other financial capacities of three affordable housing organizations. Habitat for Humanity provides construction and rehabilitation assistance to facilitate home ownership for low- and moderate-income families. The Sioux Falls Housing and Redevelopment Commission provides rent vouchers and other rental assistance to low- and moderate-income individuals. The Sioux Empire Housing Partnership is a program that relocates and restores residences scheduled for demolition for purchase by families who qualify under SDHDA income guidelines.

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): 1/1/1999 to 12/31/2002 Investment/Service Tests, CD Loans: 1/11/2000 to 12/31/2002	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
The First National Bank in Sioux Falls (FNB) Sioux Falls, South Dakota	Small Business, Small Farm, Home Mortgage, Community Development (CD) Loans; Investments; Services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Sioux Falls MA #7760	Full Scope	
Rapid City MA #6660	None	Contains no branch locations, only 1 deposit-taking ATM.

## Appendix B: Market Profiles for Full-Scope Areas

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### Sioux Falls MA #7760

Demographic Information for Full-Scope Area: Sioux Falls MA #7760						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	33	0%	21%	58%	21%	NA
Population by Geography	139,236	0%	18%	63%	19%	NA
Owner-Occupied Housing by Geography	34,014	0%	13%	65%	22%	NA
Businesses by Geography	7,051	0%	34%	56%	10%	NA
Farms by Geography	962	0%	4%	91%	5%	NA
Family Distribution by Income Level	36,631	16%	20%	28%	36%	NA
Distribution of Low- and Moderate-Income Families throughout AA Geographies	12,952	0%	24%	67%	9%	NA
Median Family Income	\$34,101	Median Housing Value Unemployment Rate		\$57,234 2.1%		
HUD Adjusted Median Family Income for 2002	\$58,800					
Households Below the Poverty Level	9%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census, and 2002 HUD updated MFI.

FNB identified the Sioux Falls MA #7760 as its assessment area. It includes the entire counties of Lincoln and Minnehaha in South Dakota. The assessment area contains 33 census tracts, of which 7 are moderate-income, 19 are middle-income, and 7 are upper-income. There are no low-income census tracts in the assessment area. All of the moderate-income census tracts are located within the city limits of Sioux Falls.

The Sioux Falls MA is the largest urbanized area in South Dakota. Local economic conditions are very good. The December 2002 unemployment rate for the state was 3.1 percent, which was the lowest in the nation. The MA enjoys an even stronger employment picture with unemployment rate of 2.1 percent for the same time period, which is the 5<sup>th</sup> lowest in the nation. For comparison, the national unemployment rate was 5.7 percent in December 2002. The health care industry, retail trade, and financial services are the area's largest employers.

With many commercial financial institutions operating in the assessment area, competition for local deposits is strong. Based on the June 2002 deposit market share data compiled by the Federal Deposit Insurance Corporation, FNB ranks 5<sup>th</sup> among 29 area institutions for the highest number of deposits in the area, with a market share of 8.15 percent. Citibank (South Dakota), N.A. and Citibank USA, N.A. dominate the market with a combined 39 percent market share. Wells Fargo Bank South Dakota, N.A. and First Premier Bank each have 11 percent market share.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.



























## Table 14. Qualified Investments

QUALIFIED INVESTMENTS								Evaluation Period: January 11, 2000 to December 31, 2002	
MA/Assessment Area:	Prior Period Investments <sup>*</sup>		Current Period Investments		Total Investments			Unfunded Commitments <sup>**</sup>	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Sioux Falls MA #7760	4	373	84	937	88	1,310	100%	0	0
<b>Limited Review:</b>									

<sup>\*</sup> 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.  
<sup>\*\*</sup> 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.



